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SIPDIS

SENSITIVE
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STATE FOR EEB/TPP/ABT/ATP JANET SPECK
USDA/FAS FOR OCRA/CURTIS, SEIDBAND; OGA/CHAUDRY; OSFO/LEE,
CURTIS

E.O. 12958: N/A

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SUBJECT: IMPACT OF RISING FOOD/COMMODITY PRICES - POLAND

REF: SECSTATE 39410

11. (U) SUMMARY: Overall food prices in Poland have risen about 7 percent in the past year, but are not reflected in lower rates of consumption as wage increases topped 10 percent in the same period. A continuing increase in prices could affect at-risk populations in poorer regions. Rising food prices have had an effect on policy: the Polish government announced its priority is food production rather than biofuels. End summary.

Farm Production

12. (U) The increase in grain prices stimulated a greater supply of grain in Poland. Farmers released last year's grain stocks in response to the price incentive. In addition, the Polish zloty has appreciated against both the Euro and U.S. dollar helping to stimulate grain imports both from within the EU and from other suppliers such as Argentina. Despite high world commodity prices the strong Polish currency has kept imported feeds, mainly soybean meal, relatively inexpensive for Polish farmers. Higher prices for major grains and rapeseed are expected to result in expanded acreage in 2008 and 2009.

13. (U) Higher prices for feed grains have had a minor impact on livestock production to date. There has been no impact on pork prices due to the current oversupply of hogs in Poland. In addition, Poland is importing cheaper pork from Denmark and other EU countries. The effects on poultry prices have been negligible as well due to sufficient supply and relatively cheap pork, an easy substitute for consumers. Later in 2008 the supply will diminish and increasing feed grain prices should begin to raise meat prices. The introduction of a potential GM feed ban in August 2008 could have a major effect on animal production if the Polish government does not delay its implementation.

Consumption

14. (U) According to the official data published by Poland's statistical office from March 2007 to March 2008 food prices increased 7 percent, while the general price and service index increased 4.2 percent. Higher food prices are not reflected by lower consumption because average wages increased more than 10 percent over this same period due to Poland's fast growing economy.

¶5. (SBU) The level of income and consumption in Poland is very different between rural and urban areas. In rural areas income levels remain much lower, but many of those are involved with farming and therefore have access to cheaper and self produced food. Poland does have pockets of poverty. A food relief agency in Poland, The Foundation for Corporate Responsibility, reports that Poland has the largest percentage of children at risk for poor nutrition in Europe, above 30 percent, or 3 million children, and if food price increases continue it could have an effect on the children in the poorer regions, such as northeastern Poland.

Policy

¶6. (U) In response to the rising world food prices, the government of Poland has announced several times that its priority is food production rather than grain-based biofuel production. Poland will instead focus on the use of second generation cellulosic biofuels from grasses and wood rather than grain-based biofuels.

¶7. (SBU) The Polish government has also expressed a willingness to delay to 2012 a GM feed ban scheduled for implementation August 2008. If the Government of Poland and the Polish Parliament are able to delay the ban the Polish livestock industry will avoid dramatic feed-related price increases.

¶8. (SBU) As an EU member, Poland enforces all of the non-tariff trade barriers introduced by the European Union. In addition, Poland enforces its own GM seed ban, hindering its own feed grain production. The Common Agricultural

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Policy (CAP) continues to heavily subsidize Polish farmers. Poland will receive USD 5.7 billion from the European Union in direct and rural development subsidies to farmers in 2008. Despite high prices, support for the CAP remains strong and Poland opposes major CAP reform.

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